

Sujet traité : L'amitié commerciale Chine-Russie n'est peut-être pas tout à fait ce que vous pensez / The China-Russia trade friendship may not be quite what you think

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The China-Russia trade friendship may not be quite what you think

Commercial ties between the two powers appear to be catching up from an abnormally low base

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Russia's President Vladimir Putin, right, and China's President Xi Jinping make a toast. Sky-high growth rates for trade between Russia and China could soon be a thing of the past © SPUTNIK/AFP/Getty Images

Agathe Demarais YESTERDAY

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On paper, commercial ties between Russia and China look huge: in 2023 trade turnover between both countries reached \$240bn, surging 26.3 per cent in just one year. Moscow and Beijing can rejoice, as such flattering statistics give credence to the view that the two capitals enjoy a "no-limits" friendship. But scratch below the surface of Russia-China trade data and you find a more nuanced picture.

It is no surprise that the world's second-biggest economy (China) and its eighth-largest one (Russia) do business with each other. It is also not surprising that these commercial ties are strengthening as sanctions push Moscow to reorient trade away from Europe, towards Asia. But what is more interesting is whether Chinese firms have established ties with their Russian counterparts that are anything out of the ordinary.

First, look at whether trade turnover between Russia and China is unusually high. Russia's nominal gross domestic product sits between those of Brazil and Australia. As it turns out, the trade turnovers with China of Russia, Brazil and Australia are all broadly equivalent. This is not enough to lead to the conclusion that such ties between Russia and China are nothing special, but it does at least suggest that rhetoric about a special relationship between the two countries rests on shaky foundations.

* } China's imports from Russia grew 12.7 per cent in 2023. Yet such high growth rates are far from unusual in Chinese trade statistics. In 2022, for example, Chinese imports from Canada rose 39 per cent, but few observers would suggest that Beijing is forging a special bond with Ottawa.

It may be more instructive to look at the level of China's imports from Russia if we want to establish whether Chinese firms are disproportionately reliant on Russian goods and commodities. The picture may not please the Kremlin: Russia remains a small supplier for Chinese businesses. At \$129bn last year, Chinese imports from Russian firms account for only 5 per cent of the total. In addition, increased exports to China may well be a double-edged sword: Russian commodity firms are growing increasingly reliant on China as an export market, giving Beijing leverage over Moscow.

Perhaps the limitless friendship rests on Chinese exports to Russia being unusually high? They certainly grew 46.9 per cent in 2023, the highest rate among China's trade partners that year. But, again, looking at the data in terms of trade levels yields a different picture: Chinese companies export as much to Russia as they do to the Netherlands, an economy almost 2.5 times smaller than Russia's that does not share a long border with China. At \$111bn, Chinese exports to Russia are lower than those to Vietnam.

Of course, quality matters and Chinese exports of tools that will help Russia manufacture military equipment are of crucial importance to Moscow. Yet in the grand scheme of things, Russian businesses are not huge customers for Chinese firms, showing just how imbalanced the pair's trade relation is.

Rather than booming, trade ties between Russia and China may well be catching up from an abnormally low base. Trade between the two countries was underdeveloped until Russia's invasion of Ukraine in February 2022. With sanctions now cutting off Russia from Europe, Moscow has little choice but to turn to Beijing, fuelling catch-up growth in the process.

If the catch-up theory is correct, then Russia-China trade could soon plateau. Recent events support this view. Negotiations for the Power of Siberia 2 gas pipeline are stalling. In addition, only a handful of Chinese refiners can process sulphur-rich Russian crude oil. Both factors suggest that Russian energy sales to China could soon stabilise.

Meanwhile, in March, Chinese banks stopped processing sales of IT equipment to Russia, probably halting the growth in Beijing's exports to Moscow in the process, since IT gear makes up the bulk of Chinese sales to Russia. In the first quarter of this year, China's exports to Russia remained broadly flat.

That Chinese financial institutions appear increasingly wary of doing business with Russian companies highlights rising concerns in China about the risk of falling foul of US secondary sanctions. With Washington now beefing up enforcement of these measures, such fears could become even more acute in the coming months. So sky-high growth rates for trade between Russia and China could soon be a thing of the past. Moscow and Beijing may well boast about their no-limits friendship, but that closeness does not appear to extend to the trade sphere.